

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF CLINTON ELEMENTARY SCHOOL School Year 2008-09

REPORT NO: 09-037

REPORT DATE: June 30, 2009

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BACKGROUND

For School Year 2008 - 2009, approximately 285 students were enrolled at Clinton Elementary School which has grade levels Pre-Kindergarten through fifth. Ms. Janet Glenn was the Principal during this time period and has been serving in this capacity since July 1, 2008. The bookkeeping duties have been performed for the past 13 years by Ms. Jemina Howard.

Clinton Elementary School maintains one commercial checking account with Comerica Bank. Primary sources of General School Funds include fundraisers, community donations, and district grants (Skillman, Head Start). The primary source of District Fund Revenues is the lunchroom collections.

AUDIT OBJECTIVES

The objectives of the audit were to ensure that:

- 1) The cash management system is effective in controlling the receipt, processing, deposit and disbursement and accounting of funds to limit any risk of theft, misuse and/or misappropriation, and
- 2) General School funds (*for example, student fees, fundraising activities, grants, etc.*) and District funds (*for example, lunchroom receipts, fines, athletic/league game receipts, summer school tuition, etc.*) are properly accounted for, safeguarded and used as intended.

SCOPE & METHODOLOGY

The scope of the audit was to review the cash management activities from July 1, 2008 through March 31, 2009 for school year 2008-2009.

- 1) Interviewed key school officials to obtain an understanding of their cash management process.
- 2) Prepared a process narrative documenting the controls in place for each source of revenue.
- 3) Reviewed monthly cash receipt and cash disbursement ledgers: If the ledgers did not exist, transaction activities were compiled by totaling cash receipt records and reviewing the check register for cash disbursements.
- 4) Completed a cash receipt ledger template: The ledger was designed to identify funds, which may have been received but not deposited. Perform research as necessary.
- 5) Performed a cash count: All cash on hand waiting to be deposited, as of the audit date, was counted under dual control by a field auditor and witnessed by a school official. The count did not include sealed cash, for example, lunchroom deposits.

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SCOPE & METHODOLOGY (continued)

- 6) Compiled financial data via bank reconciliation templates: Reviewed reconciliations completed by the schools to identify banking irregularities and reconciling items outstanding for an extended period of time. Confirmed bank reconciliations were completed as reported to the Office of Central Accounting.

FINANCIAL SUMMARY

Table 1.1: Cash Receipts from General and District School Funds (July 2008 – March 2009)

ACCOUNT TYPE	AMOUNT
<u>Commercial Checking Deposits</u>	\$ 10,939

AUDIT RESULTS IN BRIEF

Based on our audit of the cash management process, we noted control weaknesses related to compliance with District cash management policy. Specifically,

- Non-compliance with District cash management policy:
 - Disbursements were not approved by the Principal or Assistant Principal
 - The total amount of receipts for deposit does not agree to the amount deposited
 - Receipts were not deposited in a timely manner
 - Bank reconciliations were not signed by the preparer and/or reviewer
 - Bank reconciliations were not prepared, and
 - Controls over Petty Cash funds need to be enhanced

- Inadequate petty cash financial records.

The detail of these findings and recommendations are included in the Findings Section of this report.

Achievement:

Clinton Elementary School was a recipient of the *Skillman Foundation Good Schools Grant* in 2008, with a designation as an Improving School. This indicates that they met criteria such as: (1) Show overall improvements over the last two years; (2) Have improved MEAP scores, with 10-percent increase in two subject areas; (3) Have sufficient parental and community partnerships.

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AUDIT FINDINGS

1. Finding - School Administrative Financial Manual Non-Compliance:

The following was noted during the test of compliance with the “School Administrative Financial Manual 2006 -07” (SAFM)

- October 2008 cash receipts, per the deposit slip and ledger balance were \$410.00; the supporting receipts numbered 25696 thru 25708 totaled \$365. February 2009 cash receipts, per the deposit slip and ledger were \$3,444.50; the supporting receipts numbered 25711 thru 25731 totaled \$3,335.00.
- Many of the check requests were not signed by the requestor or approved by the Principal or Assistant Principal.
- Receipts were not deposited in a timely manner – January 2009 receipts of \$3,440.50 were not deposited in the bank until February 2009.
- Bank reconciliations were not signed by the preparer and/or reviewer.
- Bank reconciliations were not prepared for February and March 2009.

Cause

School officials stated they were unaware of the District’s SAFM and therefore were not aware of certain forms and requirements for cash receipt activity.

Effect

Lack of adherence to District policies can lead to inconsistent practices resulting in processing inefficiencies, inaccuracies and/or misappropriation of funds.

Recommendation

The Principal should ensure that all staff responsible for financial transactions, are trained on District policy for cash management activities, as detailed in the “School Administrative Financial Manual 2006-07”

Also, ensure that all individuals involved in the cash management process are aware of where current District policies are stored on the intranet, as well as appropriate contact information for those Central Accounting Office personnel responsible for assisting in the accounting process.

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AUDIT FINDINGS (continued)

2. Finding – Petty Cash Fund Maintained without Appropriate Financial Records:

The “School Administrative Financial Manual 2006 -07:” (SAFM) governs the maintenance of petty cash funds including required documentation:

The following documentation was not maintained:

- Approval for reimbursements from the fund, and
- Supporting documentation for expenditures from the fund.

Cause

School officials did not comply with District policies. They stated they were aware of the District’s SAFM, however they had limited knowledge of the requirements to use certain forms for cash activities.

Effect

The school funds are more susceptible to fraudulent transactions when there is insufficient recordkeeping and supporting documentation.

Recommendation

The Principal should ensure that all appropriate records related to petty cash activity are maintained in compliance with District policy.

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MANAGEMENT RESPONSE

Dear Mr. Bailey:

I am writing this letter to indicate concurrence with the audit finding for Clinton Elementary School for 2008-2009. I have indicated below the corrective action plan that will be utilized at my new school under my leadership:

1. Finding - School Administrative Financial Manual Non-Compliance

Corrective Action: All staff responsible for financial transactions will be trained on the Detroit Public School's cash management activities as detailed in the "School Administrative Manual 2006-2007". Staff will also receive the names of the personnel in Central Accounting responsible for the accounting process for cash management.

2. Finding – Petty Cash Maintained without Appropriate Financial Records

Corrective Action: Providing the required documentation for the maintenance of petty cash funds which includes the approval for reimbursements from the fund and supporting documentation for expenditures from the fund. Petty cash fund will be maintained for compliance with the District's policy.

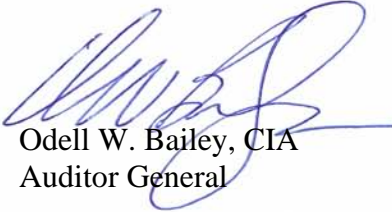
Sincerely,

Janet Glenn
Principal

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Our audit was performed in accordance with U.S. General Accounting Office Government Auditing Standards and Standards of the Institute of Internal Auditors.

This report is intended solely for management and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report which is a matter of public record



Odell W. Bailey, CIA
Auditor General